

Message Text

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TAGS: BENC, IR

SUBJECT: MAJOR PROJECTS: QOM-BANDAR SHAHPOUR ROAD

REF: USDOC 6384

DEPARTMENT PASS EXIM AND FEDERAL HIGHWAY ADMINISTRATION

1. SUMMARY: J.F. MCKEE, SENIOR VICE PRESIDENT OF MORRISON KNUDSEN INTERNATIONAL, CALLED ON AMBASSADOR ON APRIL 15 TO REPORT THAT IRANIAN MINISTRY OF ROADS AND TRANSPORT HAS REQUESTED JOINT VENTURE OF MORRISON KNUDSEN AND COFRARAN (FRENCH CONSORTIUM) TO RESUBMIT PROPOSAL FOR TURNKEY CONSTRUCTION OF SIX LANE HIGHWAY FROM QOM TO ARAK AND ANDIMESHK TO BANDAS SHAHPOUR. MINISTRY HAS FURTHER REQUESTED THAT NEW PROPOSAL INCLUDE FINANCING. PACKAGE IS EXPECTED TO COST \$625 MILLION (INCLUDING CONTINGENCY AND FINANCING), AND CONSORTIUM IS PRESENTLY SEEKING FINANCING TO COVER TOTAL FOREIGN COSTS--\$225 MILLION U.S. AND \$125 FRENCH FRANC COSTS. MINISTRY WILL PROVIDE DOWNPAYMENTS AND LOCAL COST FINANCING. ROAD WILL PROBABLY BE A TOLL ROAD.

2. NEGOTIATIONS ARE EXPECTED TO BE FINALIZED WITHIN 4 MONTHS AND HIGHWAY SHOULD BE COMPLETED 40 MONTHS THEREAFTER. MINISTRY HAS DIVIDED OVERALL PROJECT INTO FOLLOWING FOUR CONTRACTS (PARENTHESES INDICATE ESTIMATED COST PER CONTRACT): ENGINEERING (\$7.7 MILLION), PROCUREMENT (\$P MILLION), MOBILIZATION(\$20 MILLION),
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CONSTRUCTION (GENERAL EXPENSES \$112.2 MILLION, DIRECT

EXPENSES \$200.1 MILLION, CONTINGENCY \$125 MILLION).
25 PERCENT HAS BEEN ADDED TO VARIOUS CATEGORIES TO
COVER FINANCING. PRELIMINARY CONTRA
ZS TO COVER FIRST
THREE PHASES WILL BE SIGNED FIRST; THEN MINISTRY AND
CONSORTIUM WILL NEGOTIATE ON COST PLUS INCENTIVE FEE
BASIS THE TERMS AND CONDITIONS OF MAIN CONSTRUCTION
CONTRACT INCLUDING TARGET PRICE, UNIT PRICE, COST,
INCENTIVES, DISINCENTIVES AND FEES.

3. ANTICIPATED FINANCIAL PLAN AS FOLLOWS:

MILLIONS OF U.S. DOLLARS

U.S. COMMERCIAL BANKS	90.0
EXIM	90.0
PEFCO	22.5
FRENCH SYNDICATE	106.2
EURODOLLAR CREDIT	41.1
MINISTRY VS HG	275.2
TOTAL	625.0

U.S. COMMERCIAL BANK INTEREST RATE ANTICIPATED AT
1 AND ONE HALF PERCENT OVER LONDON INTER-BANK OFFERED RATE OVER 7
YEAR TERM. BANKS WOULD BE REQUESTED TO PROVIDE THREE-
YEAR GRACE PERIOD AND FOUR-YEAR REPAYMENT PERIOD. MK
REPS WILL HOLD DISCUSSIONS WITH EXIM THIS WEEK IN
ANTICIPATION OF SECURING LOAN FOR 40 PERCENT U.S. COSTS.

4. RE EXIM FINANCING. EMBASSY RECOMMENDS APPROVAL
OF \$90 MILLION LOAN. MK IS LONG-ESTABLISHED AND WELL
REGARDED IN IRAN. FIRM HAS COMPLETED SERIES OF SUC-
CESSFUL MAJOR PROJECTS IN IRAN OVER PAST 20 YEARS.
QOM - BANDAR SHAHPOUR ROAD IS HIGH PRIORITY PROJECT
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FOR GOI, AS IT WILL BE MAIN LINK BETWEEN TEHRAN AND
BANDAR SHAHPOUR, WHICH IS PRESENTLY SECOND LARGEST
PORT IN IRAN. EXPANSION OF BANDAR SHAHPOUR IS WELL
UNDERWAY, AND SHAHPOUR WILL SOON BECOME IRAN'S
LARGEST PORT UNTIL COMPLETION OF BANDAR ABBAS IN
APPROXIMATELY 1982.

5. FYI SPAULDING IS MEDIUM SIZE, APPARENTLY WELL RE-

GARDED, KENTUCKY-BASED ENGINEERING FIRM. AT ONE
TIME SPAULDING TOGETHER WITH ROHR CO. AND HAAS INC.
MAY HAVE DISCUSSED QOM - SHAHPOUR ROAD WITH MINISTRY.
MORE TO THE POINT, SPAULDING AND MINISTRY DID
APPARENTLY DISCUSS SPAULDING'S PUTTING TOGETHER
CONSORTIUM AND FINANCIAL PACKAGE TO BUILD QOM-
ISFAHAN ROAD (WHICH IS DIFFERENT PROJECT FROM QOM-
BANDAR SHAHPOUR ROAD). EMBASSY IS NOT SURE OF PRE-
SENT STATUS OF SPAULDING PROPOSAL, BUT BELIEVES IT
INACTIVE. END FYI.
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